United Nations A/59/524/Add.1

General Assembly

Distr.: General
12 May 2005

Original: English

Fifty-ninth session
Agenda item 110
Improving the financial situation of the United Nations

Improving the financial situation of the United Nations

Report of the Secretary-General

Addendum

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/59/524). It provides a review of the Organization's financial situation as at 31 December 2004 and some projections to 31 December 2005.

The report considers four financial indicators: assessments authorized, unpaid assessments, available cash and amounts owed to Member States for the major categories of activity — the international tribunals, the regular budget and peacekeeping. The picture at the end of 2004 was mixed. Outstanding assessments for the international tribunals were down significantly, but 103 Member States still owed amounts to one or both tribunals. Fewer Member States had paid their regular budget assessment in full, but the amount outstanding was lower. Both peacekeeping assessments and amounts outstanding at 31 December 2004 more than doubled. The cash position of the regular budget, the tribunals and peacekeeping accounts all improved as compared with the position at the end of 2003, but problems remained.

Prospects for 2005 are also mixed. Although there are some positive signs, it is currently expected that the tribunals will end the year with negative cash balances and that it will also be necessary to cross-borrow from closed peacekeeping operations for the regular budget during the last quarter. Outstanding assessments for peacekeeping operations exceeded $2 billion at 30 April 2005 and cross-borrowing is expected to be necessary for three active peacekeeping operations in the course of 2005.

05-34214 (E) 130505

Debt to Member States is continuing to grow although, for most peacekeeping operations, it is anticipated that the delay in troop and contingent-owned equipment payments will be kept to normal levels. The actual outcome will depend not only on progress in the signing of memorandums of understanding but also, crucially, on payments by Member States of their assessed contributions.

As always, the financial health of the United Nations depends on Member States' meeting their financial obligations to the Organization fully and in a timely manner.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the earlier report of the Secretary-General (A/59/524). It also provides information on the financial situation of the United Nations at 31 December 2004 and projections to 31 December 2005.

II. Financial situation of the United Nations

2. In looking at the financial situation of the Organization, the present report focuses on assessments authorized; unpaid assessments; cash available; and debt to Member States. The overall picture is mixed, with both positive and negative developments. In the light of that situation and of the restrictions that the General Assembly has placed on cross-borrowing between some accounts, the report will consider the major categories of activity separately. Those categories comprise the international tribunals for Rwanda and the former Yugoslavia, the regular budget and peacekeeping operations.

International tribunals

3. On the positive side, the financial position of the international tribunals is much better today than when the Secretary-General last reported in October 2004. At that time, 113 Member States owed a total of $80 million. As a result of the financial shortfall, a recruitment freeze was in effect.

4. By 31 December 2004, the shortfall had been reduced to $30 million. Payment of significant amounts by a number of Member States made it possible to end the recruitment freeze. In addition, the number of Member States that had paid their contributions in full to the two tribunals increased from 81 in 2003 to 88 in 2004. Of the 103 Member States that still had unpaid assessed contributions to one or both tribunals, 12 had not paid any assessments for the tribunals since their inception. The Secretary-General would like to express his sincere thanks to the 88 Member States that met their financial obligations to the tribunals in full in 2004.

5. While the preceding developments are welcome, there is no room for complacency. Although, the number of Member States that had paid their assessed peacekeeping contributions in full rose in 2004, it was still significantly below the 124 Member States that had paid their regular budget assessments in full.

6. Trends in 2005 so far have been mixed. At 30 April 2005, 43 Member States had paid their assessments to both tribunals in full, as compared with 37 Member States by 30 April 2004, and the total outstanding was down from $174 million at 30 April 2004 to $150 million on the same date in 2005. On the other hand, the total amount received by 30 April 2005 was also down, from $187 million received by 30 April 2004 to $175 million by 30 April 2005. While the positive developments are welcome, much remains to be done to ensure the financial stability of the tribunals since, of the 191 Member States, no fewer than 148 still had amounts outstanding for one or both tribunals at the end of April 2005.

7. The receipt of contributions at the end of 2004 also contributed to a slight improvement in the cash flow position of the tribunals. Rather than the net negative

balance that was predicted in October 2004, the actual outcome was slightly positive, although the net balance of $5 million at 31 December 2004 comprises a $10 million balance for the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 and a negative $5 million for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994.

8. Based on current trends, a positive cash flow position is anticipated until the final quarter, with borrowing expected for the International Criminal Tribunal for Rwanda from October and for the International Criminal Tribunal for the Former Yugoslavia from November. A net negative cash balance of $24 million is currently projected at 31 December 2005. Even that highly undesirable result depends on the Organization receiving further contributions this year of about $90 million. If the actual outcome approximates 2003 instead, the tribunals could end the year even further in debt.

9. As emphasized in previous reports, the possibilities for cross-borrowing are becoming ever more limited. It is therefore essential that Member States make every effort to meet their financial obligations to the tribunals in a full and timely manner. Failure to do so will certainly endanger the successful completion of the tribunals' work.

Regular budget

10. Results are also mixed for the regular budget. The number of Member States that had paid their assessments in full by the end of 2004 had fallen to 124, down from the 131 that had done so by the end of 2003. The Secretary-General would like to express his sincere appreciation to those Member States.

11. On a more positive note, the amount unpaid for the regular budget at the end of 2004 fell from $442 million to $357 million.

12. By 31 January 2005, 35 Member States had paid their assessed contributions in full. That number had grown to 72 by 30 April 2005, as compared with 77 by 30 April 2004. The other Member States are urged to follow their example.

13. With respect to cash flow, a total of $192 million was available at the end of 2004. However, that figure comprises the United Nations General Fund and its related reserves, that is, the Working Capital Fund, set by the General Assembly at $100 million, and the United Nations Special Account, which stood at $210 million. A similar situation is expected at the end of 2005. While the level of cash available for regular budget activities at the end of 2004 was higher than that projected in October, the United Nations was forced to cross-borrow from other accounts in November and was still using reserves at the end of the year.

14. Projections through the end of 2005 are based on the past pattern of payments, including those of the major contributor. While the situation is expected to be somewhat better than in 2004, it is still anticipated that there will have to be cross-borrowing from the closed peacekeeping operations and that it will be necessary to

draw on reserves from September. Furthermore, those projections are highly dependent on the actual amount and timing of payments by Member States. If there are significant shortfalls or delays in payments, the actual outcome could involve even more cross-borrowing.

Peacekeeping

15. The level of assessments issued for peacekeeping operations in 2004 more than doubled to over $5 billion. That increase resulted in part from new operations in Burundi, Côte d'Ivoire and Haiti and expanded operations in the Democratic Republic of the Congo, and in part from a technical issue related to peacekeeping assessment rates. Normally, the bulk of peacekeeping assessments for the first half of 2004 would have been issued during the second half of 2003. Since the General Assembly did not fix assessment rates for 2004 until the end of 2003, however, those assessments were instead issued in early 2004.

16. Unpaid peacekeeping assessments at the end of 2004, at over $2.5 billion, were also more than double the level at the end of 2003. At 31 December 2004, Japan and the United States of America together accounted for almost $1.5 billion, 57 per cent of the total, with Ukraine, France, China and Germany also owing in excess of $100 million each.

17. Unlike assessments for the regular budget and the tribunals, assessments for peacekeeping are issued throughout the year as relevant decisions are taken by the General Assembly and the Security Council. Nevertheless, at the end of 2004 20 Member States had paid in full all their assessed contributions for peacekeeping operations that were then due and payable. The Secretary-General would like to express his appreciation to all those Member States. Six of them — Azerbaijan, Latvia, Liechtenstein, Monaco, Poland and Singapore — had also paid in full peacekeeping assessments issued on 15 December 2004.

18. At the end of 2004, total cash resources for peacekeeping activities, including the Peacekeeping Reserve Fund, amounted to $1.585 billion. Since the General Assembly has ruled out cross-borrowing from active peacekeeping operations and restricted the use of the Peacekeeping Reserve Fund, however, not all of those resources could be used for temporary cross-borrowing. Of the almost $1.6 billion in that Fund, only the $267 million in the accounts of closed peacekeeping missions was potentially available for cross-borrowing for the regular budget, the tribunals and the active peacekeeping operations; and, of the $267 million, $232 million had to be held to cover corresponding liabilities. In addition, $140 million was available in the Peacekeeping Reserve Fund for new and expanded operations.

19. By 30 April 2005, payments of $1.466 billion had been received for peacekeeping operations. The amount outstanding, due and payable had fallen to $1.207 billion, and only the United States and Ukraine still owed over $100 million. In addition, new peacekeeping assessments totalling over $1 billion were issued on 27 April 2005 and were still within the 30 day due period. While the above-mentioned payments mitigated somewhat the bleak picture at the end of 2004, the amount outstanding at the end of April was still over $2.2 billion, and further new assessments in 2005 of around $4 billion are expected. The Secretary-General would like to express his appreciation to the 23 Member States that had paid all peacekeeping assessments due and payable by 30 April 2005.

20. Cash available for peacekeeping is currently expected to total $1.192 billion at the end of 2005. Of that amount, $60 million is expected to be available in the Peacekeeping Reserve Fund, after taking account of new or expanded operations in the Sudan and the Democratic Republic of the Congo.

21. Of the $337 million expected to be available in the accounts of closed peacekeeping operations at the end of 2005, $219 million must be held to cover corresponding liabilities, leaving only $118 million for possible cross-borrowing. In addition to requirements for new and expanded missions, cross-borrowing from the closed operations has occasionally been necessary for a number of other active operations, including the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Mission for the Referendum in Western Sahara (MINURSO) and the United Nations Interim Administration Mission in Kosovo (UNMIK), as well as for the regular budget and tribunals.

22. Given the current fragile financial situation, the Secretary-General has proposed that the $93 million available in the accounts of closed operations that was identified earlier should be retained and the Advisory Committee on Administrative and Budgetary Questions has supported that request. The proposal is extremely important since the United Nations would otherwise have only $25 million to cover cross-borrowing requirements that are periodically much higher.

Debt to Member States

23. The October 2004 report forecast an increase in the amounts owed to troop and equipment contributors from $439 million at the beginning of 2004 to $605 million on 31 December 2004. In the end, the result was better, with the actual figure at $549 million.

24. The slightly better outcome in 2004 was the result of new obligations being somewhat lower than expected and payments to Member States slightly higher. At the end of 2004 payments for most missions, except UNMIK, MINURSO and UNOMIG, were generally running two months behind for troop costs and three to six months for contingent-owned equipment. The latter is constrained by delays in the signing of memorandums of understanding, as well as by the limited availability of cash in the individual peacekeeping accounts.

25. The current projection for 2005 is that debt to Member States will be $79 million higher than at the end of 2004. New obligations are expected to grow, with the deployment of additional troops in the United Nations Organization Mission in the Democratic Republic of the Congo, full deployments in the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Operation in Burundi (ONUB) and the United Nations Operation in Côte d'Ivoire (UNOCI) and the phasing in of troops in the United Nations Mission in the Sudan (UNMIS). Payments to Member States are also expected to grow. This projection is based on the assumption that more memorandums of understanding with troop and equipment providers will be signed for MINUSTAH, ONUB and UNOCI, and new memorandums will be signed for UNMIS. Of course, it also depends crucially on the projected payments of assessed contributions being received. If more is received, the anticipated level of debt to Member States could be cut further but if less is received, then debt to Member States might be higher.

Conclusions

26. As peacekeeping assessments are issued throughout the year, on any given date there tend to be fewer Member States that have paid their assessments for peacekeeping operations in full. Nonetheless, on 30 April 2005, 18 Member States had paid all their due and payable assessments for the regular budget, the tribunals and peacekeeping operations in full, not counting the assessments issued on 27 April, that were still within the 30 day due period. The Secretary-General would like to offer special thanks to those Member States.

27. To summarize, the financial picture at the end of 2004 was mixed, as are current projections for 2005. On the positive side, cash balances were higher than at the end of 2003, and unpaid assessments for the regular budget and tribunals were lower. At the same time, unpaid assessments for peacekeeping were sharply higher and debt to troop and equipment contributors had also increased. While a healthier cash flow during most 2005 is expected, a negative cash position is anticipated for the regular budget and the tribunals during the final quarter, as is the need for borrowing from the Working Capital Fund, the United Nations Special Account and closed peacekeeping missions for the regular budget, the tribunals and some active missions during the year. Debt to troop and equipment contributors is also expected to rise again. The scope for cross-borrowing is limited, as reserves are often depleted and cross-borrowing is restricted to the unobligated cash available in the accounts of closed peacekeeping missions.

28. In short, there are some improvements but the situation remains fragile and it is essential that Member States make further efforts to meet their financial obligations to the United Nations fully and in a timely fashion.